

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /087 W

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R 232117Z JAN 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 1683

C O N F I D E N T I A L CARACAS 0849

E.O. 11652: GDS

TAGS: EFIN, EALR, VE

SUBJECT: GOV CONSIDERING DIFFERENTIAL EXCHANGE RATE FOR LUXURY
GOODS

1. SUMMARY. A HIGHLY PLACED GOV OFFICIAL HAS TOLD EMBOFF
THAT A DIFFERENTIAL EXCHANGE RATE WILL BE IMPOSED ON LUXURY
IMPORTS. EMBASSY BELIEVES THIS IS ONE AMONG SEVERAL MEASURES
BEING CONSIDERED BY GOV TO STEM THE INFLOW OF LUXURY GOODS.

2. THE DCM HAS BEEN INFORMED BY HIGH RANKING CUSTOMS OFFICIAL
IN THE MINISTRY OF FINANCE THAT THE GOV HAS A DRAFT
PREPARED PROVIDING FOR A NEW DIFFERENTIAL EXCHANGE RATE
AFFECTING THE IMPORTATION OF LUXURY GOODS. ACCORDING TO
SOURCE, THE GOVERNMENT WILL ESTABLISH RATE OF BS 6.5 EQUALS
\$1.00 ON LUXURY GOODS, WITHIN A VERY SHORT PERIOD OF TIME.

3. RUMORS HAVE BEEN CIRCULATING IN CARACAS FOR THE LAST TWO
WEEKS THAT THE GOVERNMENT WAS PLANNING SOME TYPE OF DEVALUATION
MEASURE IN ORDER TO STEM THE TIDE OF LUXURY IMPORTS. OUTRIGHT
DAVALUATION HAD BEEN DISCOUNTED BY MOST KNOWLEDGEABLE SOURCES
AS ECONOMICALLY AND POLITICALLY ABSURD, HOWEVER, DIFFERENTIAL
DAVALUATION DESCRIBED ABOVE IS CONSIDERED BY SOME WELL-CONNECTED
OBSERVERS TO BE A LIKELY MEANS OF CONTROLLING IMPORTS.

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4. COMMENT. THE EMBASSY IS INCLINED TO BELIEVE THAT DIFFERENTIALY

DEVALUATION IS ONLY ONE OF SEVERAL MEASURES BEING CONSIDERED BY GOV AS MEANS OF STEMMING FLOW OF LUXURY IMPORTS. DESPITE HEAVY TARIFFS NOW EXISTENT ON LUXURY ITEMS, THE GOVERNMENT HAS BEEN UNABLE TO REDUCE SUBSTANTIALLY THE LEVEL OF IMPORTS DUE TO ABILITY OF VENEZUELANS TO SMUGGLE AND GET AROUND PAYING FULL IMPORT DUTIES THROUGH VARIOUS DEVIOUS MEANS.

5. ALTHOUGH VENEZUELA ALREADY HAS LIMITED EXPERIENCE WITH DIFFERENTIAL EXCHANGE RATES SINCE THE RATE OF EXCHANGE FOR PETROLEUM TRANSACTIONS IS BS 4.2 EQUALS \$1.00 COMPARED TO THE COMMERCIAL RATE OF BS 4.3 EQUALS \$1.00, THE PROBLEM OF MONITORING FOREIGN EXCHANGE TRANSACTIONS BY THE CENTRAL BANK WOULD BE CONSIDERABLY MORE DIFFICULT IN THE CASE OF LUXURY GOODS. THERE IS LITTLE REASON TO EXPECT THAT CONTROL OF IMPORTS WOULD BE MORE EFFECTIVE THROUGH THIS MECHANISM THAN THROUGH THE CUSTOMS CONTROL.
SHLAUDEMAM

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